STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
KEITH W. COOLEY, DIRECTOR

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GOVERNOR

KEN ROSS
COMMISSIONER

Date: October 27, 2008

To: The Chief Executive Officers
of Michigan's State-Chartered Banks and Savings Banks

The federal Economic Stabilization Act offers a variety of assistance solutions to institutions struggling to obtain additional capital, weighed down by non-performing assets, or trying to retain larger depositors at a time when consumer confidence in the banking system is becoming increasingly fragile.

This is a brief recap of what we know right now about the programs available. Some of them have very short windows of opportunity and I urge you to explore all of them for the advantages they can offer your bank.

- Capital Purchase Program: The Treasury Department will purchase preferred stock of eligible banks, savings banks, bank holding companies who apply by 5:00 pm November 14, 2008. Application must be made through the organization's primary federal regulator, so if interested in this program, contact the regional office of your primary federal regulator. Federal regulators have asked that bankers contact them before applying under this program.

  It is very important that state-chartered banks that plan to participate contact OFIR's Enterprise Monitoring Division staff as soon as possible to determine whether state approvals are necessary (e.g., increasing authorized capital stock) and to initiate the process of getting those approvals. I assure you that my staff is prepared to act promptly to facilitate your application under the Capital Purchase Program. Because the Treasury Department wants to get these funds issued as soon as possible, it is important for the state and federal processes to be running concurrently. We have been advised that the Treasury Department will announce approvals under the program, but not denials or withdrawals. Applications can be withdrawn at any time.

  While the program was originally conceived for publicly traded companies, the Treasury Department is working with federal regulators to establish a process by which organizations that are S-corporations or mutuals may participate. **Privately held organizations that are interested in this program should talk with their primary federal regulator now and not wait until the program rules are issued.**

- Troubled Asset Relief Program: The Treasury Department is authorized to purchase troubled real estate-related assets and is proposing to offer also a troubled asset guarantee program. It is currently working to determine the parameters of these programs and has requested comment by October 28 on structuring the guarantee program. [http://www.treas.gov/press/releases/reports/federalregisternotice1.pdf]

- FDIC Liquidity Guarantee Program: This program has several facets. Basic federal deposit insurance has been increased to provide $250,000 coverage; non-interest-bearing deposits are fully insured. These measures should provide reassurance to large depositors. [*Institutions have the opportunity before November 12, 2008 to opt out of the increased insurance, but this is a permanent opt-out with no opportunity to re-enter the exited program. I understand that FDIC will be making the names of institutions that "opt out" public, so I strongly suggest that this be considered by any institution contemplating this course of action. Institutions that do not opt out will incur after 30 days an additional fee for full insurance of non-interest-bearing deposits.*] The expanded deposit insurance program expires on December 31, 2009, except for certificates of deposit established during the increased coverage period that have later maturity dates.

  FDIC also has created a Temporary Liquidity Guarantee Program whereby senior debt obligations of banks can be insured. The amount of coverage is based on an organization's senior debt outstanding as of 9/30/08 and is capped at 100% or 125%, depending on the financial health of the institution. We understand that an organization having no senior debt outstanding at 9/30/08 still may apply for coverage of future-issued debt and those applications will be considered on a case-by-case basis. Criteria have not been released for qualifying institutions under this program. [*Institutions may opt out of this program before November 12. Opting out requires an affirmative notice. Lack of senior debt outstanding at 9/30/08 does not constitute an opt-out.*] FDIC plans to assess an annual fee on the amount of coverage an institution has available to it. The fee will be assessed separately from deposit insurance premiums. See www.FDIC.gov/TLGP for updates.

We have dedicated a space on the OFIR website for links to information on these new programs and will keep it updated as new announcements are made. See: http://www.michigan.gov/dleg/0,1607,7-154-10555_13047_32588-202092--,00.html [or go to www.michigan.gov/ofir and click on 'Industry Services', then 'Bank & Trust', then (under What's New) 'Economic Stabilization Act Programs'].

Sincerely,

Ken Ross
Commissioner